Saskatchewan Heritage Fund

Annual Report 1984-85

Province of Saskatchewan

87-05920/

Letter of Transmittal

October, 1986

To His Honour,
The Honourable F.W. Johnson,
Lieutenant Governor of the Province of Saskatchewan

Sir:

I have the honour to submit herewith the seventh Annual Report and Financial Statements of the Saskatchewan Heritage Fund, for the year ended March 31, 1985.

Respectfully yours,

J. Gary Lane, Q.C.
Minister of Finance

Introduction

The Saskatchewan Heritage Fund was established in 1978 under the authority of The Heritage Fund (Saskatchewan) Act.

Objectives

The objectives of the Heritage Fund are as follows:

1. To provide Saskatchewan citizens with a clear statement of the management of their non-renewable resource revenues.

2. To provide the Legislative Assembly of Saskatchewan with greater control over the use of these non-renewable resource revenues.

3. To provide a financial mechanism through which a portion of these revenues can be invested in assets and programs for the future benefit of Saskatchewan citizens.

4. To strengthen the budgetary position of the Consolidated Fund by assisting in the financing of the on-going programs and services provided by government.

How the Heritage Fund Works

All non-renewable resource revenues of the Province are deposited in the Heritage Fund. Also credited to the Fund, as revenues, are interest income and dividend earnings from the Fund's investments, plus any capital gains on the disposal of these investments.

Revenues of the Heritage Fund can be applied as budgetary expenditures, which are outflows of the moneys taken into the Fund, or retained as assets.

The budgetary expenditures of the Heritage Fund include:

1. The Dividend to the Consolidated Fund - to help finance expenditures of the Consolidated Fund.

2. Incentives for oil and gas exploration and development, and for conservation projects.

3. Assistance to farmers.

4. Assistance for research and development projects.

5. Provincial Development Expenditures - to help finance capital projects.

The surplus that results from an excess of budgetary revenues over budgetary expenditures remains within the Heritage Fund, increasing its total assets. These assets can take a number of forms:

1. Current assets, comprising:

(a) the cash balance in the Heritage Fund's bank account,

(b) marketable securities, including debentures and other marketable instruments, and

(c) the amount "Due from the Consolidated Fund", referring to all monies held temporarily on non-interest bearing deposit with the Consolidated Fund.

2. Loans to Crown corporations or other entities.

3. Equity investments in Crown corporations or other entities.

Divisions of the Heritage Fund

The Heritage Fund is comprised of five divisions. Three of these divisions, the Resources Division, the Energy Security Division and the Environmental Protection Division, were established in 1980. The two newest divisions, the Agricultural Division and the Research and Development Division, were created effective April 1, 1983 by The Heritage Fund (Saskatchewan) Amendment Act, 1983.

The responsibilities of each division are as follows:

1. Resources Division

The Resources Division receives all non-renewable resource revenues of the Fund that are not specifically allocated to the other divisions. Some of these revenues may be transferred to the other divisions for specific purposes.

The Resources Division finances the Consolidated Fund Dividend and Provincial Development Expenditures. This division can also undertake other expenditures and other loans and equity investments permitted under the Act that are not undertaken through the other divisions of the Heritage Fund.

2. Energy Security Division

The objective of the Energy Security Division is to help ensure that Saskatchewan consumers have adequate energy supplies in the years ahead. This division may make expenditures, loans and equity investments to encourage energy conservation and the exploration for and development of the energy resources of the province.

3. Environmental Protection Division

The Environmental Protection Division was created to provide a contingency fund for dealing with any unforeseen environmental problems that could arise from the mining and milling of uranium in Saskatchewan.

The contingency fund, known as the Environmental Protection Reserve, is comprised of cash and short-term investments. The income and other gains from these investments is applied to, and therefore serves to increase, the assets of the Division.

The purpose of the Agricultural Division is to encourage long-term economic growth and stability in the agricultural

sector. The initial task of the Agricultural Division was to assist in funding the operations of the Farm Purchase Program. This program provides interest rebates to farmers for commercial mortgage loans undertaken to purchase farm land.

5. Research and Development Division

The Research and Development Division was established to support research and development activities that will ensure that the latest technologies are adopted by Saskatchewan firms and that new, high technology industries are attracted to the province.

The Minister of Science and Technology may make loans, equity investments and grants or other expenditures from the Research and Development Division for this purpose.

The Research and Development Division was funded initially through the transfer of $51.2 million in cash and investments from the Resources Division of the Heritage Fund.

Legislative Control

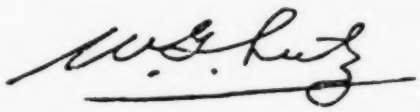
The activities of the Heritage Fund are directly controlled by the Legislative Assembly through its annual review and approval of the Fund's expenditures and long-term investments.

Auditor's Report

To the Members of the Legislative Assembly
of Saskatchewan

I have examined the statement of financial position of the Saskatchewan Heritage Fund as at March 31, 1985 and the statements of equity, revenue and expenditure, loan, investment and deposit activity, changes in financial position and cumulative provincial development expenditure for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Saskatchewan Heritage Fund as at March 31, 1985 and the results of its operations and the changes in its financial position for the year then ended in accordance with the disclosed basis of accounting applied on a basis consistent with that of the preceding year.



Regina, Saskatchewan,
September 24, 1985.

W. G. Lutz, F.C.A.,
Provincial Auditor.

Statement of Financial Position

March 31, 1985

($ Thousands)

	Resources Division	Energy Security Division	Environmental Protection Division	Agricultural Division	Research and Development Division	1985 Total	1984 Total
Assets							
Schedule							
1 Cash and Short-Term Investments *(Note 1d)*	$ —	$13,501	$5,967	$ —	$36,992	$ 56,460	$ 57,009
2 Short-Term Loans to Crown Entities *(Note 1e)*	—	22,000	—	—	9,176	31,176	27,000
Amount Receivable from the Consolidated Fund *(Note 1f)*	287,005	—	—	4,827	7,390	299,222	237,658
3 Loans to Crown Entities *(Note 1g)*	74,750	2,448	—	—	—	77,198	87,181
Loan and Sale Agreements *(Note 1h)*	—	—	—	6,884	—	6,884	7,551
4 Other Loans *(Note 1i)*	—	2,938	—	—	—	2,938	—
5 Investments in Crown Entities *(Note 1j)*	747,230	91,500	—	—	—	838,730	838,730
Investment in Agricultural Land and Related Assets *(Note 1k)*	—	—	—	163,881	—	163,881	166,184
6 Investments in Other Enterprises *(Note 1l)*	—	735	—	—	—	735	1
Total Assets	$1,108,985	$133,122	$5,967	$175,592	$53,558	$1,477,224	$1,421,314
Liabilities and Equity							
Loan from the Consolidated Fund *(Note 1m)*	$ —	$ —	$ —	$184,436	$ —	$ 184,436	$ 184,436
Conditional Receipts	—	—	—	—	—	—	38
	—	—	—	184,436	—	184,436	184,474
Equity (Note 2a)	1,108,985	133,122	5,967	(8,844)	53,558	1,292,788	1,236,840
Total Liabilities and Equity	$1,108,985	$133,122	$5,967	$175,592	$53,558	$1,477,224	$1,421,314

(see accompanying notes)

Statement of Equity

For the Year Ended March 31, 1985

($ Thousands)

	Resources Division	Energy Security Division	Environmental Protection Division	Agricultural Division	Research and Development Division	1985 Total	1984 Total
Unallocated Equity, Beginning of Year	$1,061,632	$ 93,949	$ —	$ (6,271)	$51,209	$1,200,519	$1,171,261
Excess of Revenue Over Expenditure, Net of Inter-divisional Transfers	47,353	7,329	1,490	(2,528)	3,570	57,214	46,300
Deficiency Arising from the Transfer of the Assets and Liabilities from the Saskatchewan Land Bank Commission	—	—	—	—	—	—	(13,657)
Loss on Sale of Land	—	—	—	(45)	—	(45)	(4)
Write-down of Short-Term Investment	—	—	—	—	(1,221)	(1,221)	—
Transfer to Reserves	—	(3,657)	(1,490)	—	—	(5,147)	(3,381)
Unallocated Equity, End of Year	1,108,985	97,621	—	(8,844)	53,558	1,251,320	1,200,519
Reserves, Beginning of Year	—	31,844	4,477	—	—	36,321	32,940
Transfers to Reserves	—	3,657	1,490	—	—	5,147	3,381
Reserves, End of Year	—	35,501	5,967	—	—	41,468	36,321
Total Equity, End of Year	$1,108,985	$133,122	$5,967	$ (8,844)	$53,558	$1,292,788	$1,236,840

(see accompanying notes)

Statement of Revenue and Expenditure

For the Year Ended March 31, 1985

($ Thousands)

	Resources Division	Energy Security Division	Environmental Protection Division	Agricultural Division	Research and Development Division	1985 Total	1984 Total
Revenue							
Non-Renewable Resource Revenue							
Coal	$ 17,438	$ —	$ —	$ —	$ —	$ 17,438	$ 15,775
Natural Gas	9,652	—	—	—	—	9,652	4,595
Oil	645,625	—	—	—	—	645,625	640,322
Crude Oil Export Charge	94,732	—	—	—	—	94,732	44,212
Potash	71,177	—	—	—	—	71,177	39,702
Sodium Sulphate	1,393	—	—	—	—	1,393	1,696
Uranium	25,169	—	—	—	—	25,169	11,117
Other Non-Renewable Resources	435	—	—	—	—	435	599
Total Non-Renewable Resource Revenue	865,621	—	—	—	—	865,621	758,018
Agricultural Lands Revenue							
Lands Sales	—	—	—	8,862	—	8,862	11,883
Lease Revenue	—	—	—	9,053	—	9,053	8,176
Interest and Other	—	—	—	702	—	702	276
Total Agricultural Lands Revenue	—	—	—	18,617	—	18,617	20,335
Investment Revenue	3,447	3,657	490	322	5,039	12,955	14,625
Other Revenues	152	—	—	—	—	152	58
Total Revenue Before Inter-divisional Transfers	869,220	3,657	490	18,939	5,039	897,345	793,036
Inter-divisional Transfers	(30,304)	29,304	1,000	—	—	—	—
Total Revenue, Net of Inter-divisional Transfers	$838,916	$32,961	$1,490	$18,939	$5,039	$897,345	$793,036

(see accompanying notes)

Statement of Revenue and Expenditure (Continued)

For the Year Ended March 31, 1985

($ Thousands)

	Resources Division	Energy Security Division	Environmental Protection Division	Agricultural Division	Research and Development Division	1985 Total	1984 Total
Expenditure							
Ordinary							
Fund dividend to Consolidated Fund *(Note 2b)*	$775,000	$ —	$ —	$ —	$ —	$775,000	$665,000
Compensation Payments for Oil Rights Acquired by the Crown	2,559	—	—	—	—	2,559	2,340
Interest on Refunds of Taxes	49	—	—	—	—	49	296
Grants for Petroleum and Natural Gas Exploration, Conservation, and Development	—	21,960	—	—	—	21,960	35,000
Grants Pursuant to the Canada-Saskatchewan Heavy Oil Agreement	—	463	—	—	—	463	1,896
Payments for Projects Pursuant to the Canada-Saskatchewan Heavy Oil and Fossil Fuel Research, Development and Demonstration Agreement	—	2,987	—	—	—	2,987	1,309
Payments for Projects Pursuant to the Canada-Saskatchewan Renewable Energy and Energy Conservation Demonstration Agreement	—	113	—	—	—	113	1,048
Payment for Project Pursuant to the Grasslands Oil and Gas Exploration Agreement	—	18	—	—	—	18	—
Payments Pursuant to the Canada-Saskatchewan Economic and Regional Development Agreement	448	—	—	—	—	448	—

Statement of Revenue and Expenditure (Concluded)

For the Year Ended March 31, 1985

($ Thousands)

	Resources Division	Energy Security Division	Environmental Protection Division	Agricultural Division	Research and Development Division	1985 Total	1984 Total
Expenditure (Concluded)							
Payments for Research and Development	—	—	—	—	1,469	1,469	553
Payments of Interest Rebates	—	—	—	13,284	—	13,284	4,190
Payments to Cover Deficiency of Land Bank Lease Fees in Meeting the Interest Costs Owing on Transferred Land Bank Land *(Note 1m)*	—	—	—	8,183	—	8,183	9,107
Payments Under Trust Certificates	187	—	—	—	—	187	102
Research Grants	—	31	—	—	—	31	5
Administrative Expenses of the Canada-Saskatchewan Heavy Oil Agreement, and Alternative Fuel Test Program	—	60	—	—	—	60	108
Total Ordinary Expenditure	778,243	25,632	—	21,467	1,469	826,811	720,954
Capital							
Provincial Development Expenditure	13,320	—	—	—	—	13,320	25,782
Total Capital Expenditure	13,320	—	—	—	—	13,320	25,782
Total Expenditure	$791,563	$25,632	$ —	$21,467	$1,469	$840,131	$746,736
Excess of Revenue Over Expenditure (Expenditure over Revenue), Net of Inter-divisional Transfers	$ 47,353	$ 7,329	$ 1,490	$ (2,528)	$ 3,570	$ 57,214	$ 46,300

(see accompanying notes)

Statement of Loan, Investment and Deposit Activity

For the Year Ended March 31, 1985

($ Thousands)

	Resources Division	Energy Security Division	Environmental Protection Division	Agricultural Division	Research and Development Division	1985 Total	1984 Total
Receipts							
Loans							
Municipal Financing Corporation of Saskatchewan	$ —	$ —	$ —	$ —	$ —	$ —	$10,000
Saskatchewan Grain Car Corporation	4,984	—	—	—	—	4,984	—
Saskatchewan Housing Corporation	—	—	—	—	—	—	8,000
Potash Corporation of Saskatchewan	5,000	—	—	—	—	5,000	—
Loan and Sale Agreements	—	—	—	621	—	621	477
Investments							
Agricultural Land and Related Assets:							
Recovery of Investment	—	—	—	2,880	—	2,880	1,811
Recovery of Principal on Land Sales	—	—	—	—	—	—	83
Total Receipts	9,984	—	—	3,501	—	13,485	20,371
Disbursements							
Loans							
Other Loans	—	2,938	—	—	—	2,938	—
Demand Bank Loan	—	—	—	—	—	—	5,000
Investments							
NewGrade Energy Inc.	—	734	—	—	—	734	1
Agricultural Land and Related Assets	—	—	—	577	—	577	68
Deposits							
Conditional Receipts	—	—	—	38	—	38	225
Total Disbursements	—	3,672	—	615	—	4,287	5,294
Excess of Receipts Over Disbursements (Disbursements Over Receipts)	$9,984	$ (3,672)	$ —	$2,886	$ —	$ 9,198	$15,077

(see accompanying notes)

Statement of Changes in Financial Position

For the Year Ended March 31, 1985

($ Thousands)

	Resources Division	Energy Security Division	Environmental Protection Division	Agricultural Division	Research and Development Division	1985 Total	1984 Total
Cash, Short-Term Investments and Loans, and Amount Receivable from the Consolidated Fund, Beginning of Year	$229,668	$31,844	$4,477	$ 4,469	$51,209	$321,667	$260,290
Revenue and Expenditure							
Revenue, Net of Inter-divisional Transfers	838,916	32,961	1,490	18,939	5,039	897,345	793,036
Expenditure	791,563	25,632	—	21,467	1,469	840,131	746,736
Excess of Revenue Over Expenditure (Expenditure Over Revenue), Net of Inter-divisional Transfers	47,353	7,329	1,490	(2,528)	3,570	57,214	46,300
Loans, Investments and Deposits							
Receipts	9,984	—	—	3,501	—	13,485	20,371
Disbursements	—	3,672	—	615	—	4,287	5,294
Excess of Receipts over Disbursements (Disbursements over Receipts)	9,984	(3,672)	—	2,886	—	9,198	15,077
Non-Cash Items							
Write-down of Short-Term Investment	—	—	—	—	(1,221)	(1,221)	—
Increase During the Year	57,337	3,657	1,490	358	2,349	65,191	61,377
Cash, Short-Term Investments and Loans, and Amount Receivable from the Consolidated Fund, End of Year	$287,005	$35,501	$5,967	$ 4,827	$53,558	$386,858	$321,667

(see accompanying notes)

Statement of Cumulative Provincial Development Expenditure

For the Year Ended March 31, 1985

	1985		1984	
	Current Year Expenditure	Cumulative Expenditure	Current Year Expenditure	Cumulative Expenditure
Resource, Economic, and Industrial Development				
Beauval — Pinehouse Development Road	$ —	$ 4,062	$ —	$ 4,062
Buffalo Narrows Causeway	—	2,532	—	2,532
Buffalo Narrows Northern Development Airport	—	2,631	—	2,631
Buffalo Narrows Northern Development Airport — Facilities	—	267	—	267
Cluff Lake Development Road	—	4,813	—	4,813
Forestry Development Roads	—	1,384	—	1,384
Interprovincial Steel and Pipe Corporation Ltd. — Plant Expansion	—	2,803	—	2,803
Key Lake Development Road	—	6,436	—	6,436
La Ronge Aircraft Maintenance Facility	—	2,261	—	2,261
Northern Highway No. 2	—	784	—	784
Northern Highway No. 105	—	548	—	548
Northern Highway No. 106	—	12,586	—	12,586
Northern Highway No. 155	—	5,394	—	5,394
Resource Research Facility — Saskatoon	—	3,684	—	3,684
Total Resource, Economic, and Industrial Development	—	50,185	—	50,185
Health and Education				
Grant to the Saskatchewan Cancer Foundation	—	1,025	—	1,025
Grant to the University Hospital — Capital	—	17,614	4,000	17,614
Institute of Applied Arts and Sciences — Prince Albert	—	2,071	1,791	2,071
Provincial Laboratory Building	—	162	—	162
Saskatchewan Rehabilitation Centre	500	741	164	241
Saskatchewan Technical Institute Expansion	—	6,874	3,239	6,874
Saskatoon Hospitals Construction Program	958	1,231	79	273
University of Saskatchewan — Engineering Building Construction	100	27,525	200	27,425
University of Saskatchewan — Geological Sciences Building Construction	—	1,650	1,200	1,650
University of Saskatchewan — Veterinary College Building Expansion	—	12,540	—	12,540
Total Health and Education	1,558	71,433	10,733	69,875
Culture and Recreation				
Moose Jaw Wild Animal Park Development	—	2,519	—	2,519
Parks Facilities Development	—	2,402	—	2,402
Parks Facilities Development — Cypress Hills	417	549	50	132
Restoration of Northwest Territorial Government Administration Building	—	688	—	688
Restoration of Saskatchewan House	—	4,487	—	4,487
Saskatchewan Archives Building	—	284	—	284
1979 Western Canada Summer Games Inc. — Athletic Field House Grant	—	1,750	—	1,750
Total Culture and Recreation	417	12,679	50	12,262

Statement of Cumulative Provincial Development Expenditure (Concluded)

For the Year Ended March 31, 1985

($ Thousands)

	1985		1984	
	Current Year Expenditure	Cumulative Expenditure	Current Year Expenditure	Cumulative Expenditure
Municipal				
Construction of Court Houses — Regina and Saskatoon	$ —	$ 25	$ —	$ 25
Grant to the City of Lloydminster for Water Supply Project	—	9,150	3,048	9,150
Grants Under the Community Capital Fund Program	11,345	67,426	11,921	56,081
Souris River Valley Project	—	137	30	137
Total Municipal	11,345	76,738	14,999	65,393
Total Provincial Development Expenditure	$13,320	$211,035	$25,782	$197,715

(see accompanying notes)

Saskatchewan Heritage Fund

Notes to the Financial Statements

For the Year Ended March 31, 1985

1. Significant Accounting Policies

General Policies

1a. Reporting Entity

These financial statements have been prepared for the purpose of disclosing the state of the Saskatchewan Heritage Fund at March 31, 1985 and the results of its financial activities for the year then ended in accordance with the statutory authorities governing its operation.

The Saskatchewan Heritage Fund is a special purpose fund established under *The Heritage Fund (Saskatchewan) Act* to receive all non-renewable resource revenues of the Province, revenues from certain agricultural lands, interest and dividends on loans and investments made by the Fund, and any gains on disposals of investments held by the Fund.

The Fund is comprised of five divisions: the Resources Division, the Energy Security Division, the Environmental Protection Division, the Agricultural Division, and the Research and Development Division. The Agricultural Division and the Research and Development Division were created April 1, 1983 by *The Heritage Fund (Saskatchewan) Amendment Act, 1983*.

1b. Basis of Accounting

The financial statements of the Fund are prepared using a modified cash basis for a fiscal year commencing on April 1 and ending on March 31. Revenues are recorded as received and expenditures are charged to the accounts when payment is made. In addition, revenues received in the 30 days of April in respect of revenue raised up to March 31 of the preceding fiscal year are taken into revenue of the preceding fiscal year, and payments made during the 30 days of April which are for goods and services received in the preceding fiscal year are reported as expenditures of the preceding fiscal year.

1c. Classification of Financial Transactions

In accounting for the financial transactions, a distinction is drawn between those transactions which affect the net debt and those which affect only recorded assets and liabilities. This segregation originates from the net debt concept. The net debt of the Heritage Fund is the difference between recorded liabilities minus assets and represents the difference between accumulated revenues and accumulated expenditures. Since revenues and expenditures only affect the net debt, transactions which arise from the financing activities (lending and investing) will affect recorded assets and liabilities. Accordingly, transactions are recorded within two categories in the Heritage Fund: Revenue and Expenditure and, Lending and Investing.

- **Revenue and Expenditure**

Revenue and expenditure relate to normal operating activities.

- **Revenue**

Revenue includes revenues raised through taxation and royalties from non-renewable resources, income from investments, lease revenues and accounting gains on the sale of certain agricultural lands.

- **Expenditure**

Expenditure includes payments for goods and services, grants, the acquisition or construction of fixed assets, and dividends paid to the Consolidated Fund.

- **Lending and Investing**

These transactions result from lending and investing functions which include the Heritage Fund's lending and investing activity in various Crown corporations and agencies, other organizations and individuals, in Agricultural Land and Related Assets acquired for resale.

- **Assets and Liabilities**

In general terms assets of the Fund consist of cash and short-term investments, loans to or investments in Crown entities and other organizations and individuals, and investment in Agricultural Land and Related Assets. Capital assets are treated as an expenditure in the year of purchase.

Liabilities consist of a loan from the Consolidated Fund.

Specific Policies

1d. Cash and Short-Term Investments

- **Cash**

Cash recorded is the balance on hand at March 31, adjusted for transactions during the 30 days following the end of the fiscal year relating to the reporting fiscal year.

- **Short-Term Investments**

Short-term investments represent those investments purchased under authority of *The Heritage Fund (Saskatchewan) Act*. These investments consist mainly of chartered bank notes, treasury bills, commercial paper and bonds maturing within one year.

Short-term investments are carried at cost. Any gain (loss) on disposal of short-term investments is recorded as revenue (expenditure).

1e. Short-Term Loans to Crown Entities

These represent interest bearing loans made for a period of less than one year. Short-term loans are valued at cost.

1f. Amount Receivable From the Consolidated Fund

This represents the balance of all cash transactions as held by the Consolidated Fund on behalf of the Heritage Fund, except for cash received from interest and dividends which is deposited directly into the Heritage Fund. No interest accrues on this balance.

1g. Loans to Crown Entities

These are loans made for a period of greater than one year to Crown corporations, boards and commissions and generally have fixed terms of repayment. With the exception of the Saskatchewan Grain Car Corporation, the loans are all interest bearing.

Loans are valued at cost. In cases where the liabilities of a Crown entity significantly exceed the estimated realizable value of its assets and the accumulated deficit is not funded by an appropriation, the loan will be written down. All write-downs are charged directly to equity.

1h. Loan and Sale Agreements

Loan and Sale Agreements represent loans to lessees, and amounts due on Sale Agreements for the sale of Agricultural Land and Related Assets less the unrealized gain in accordance with the accounting policy which provides that gains are included in revenue but are only recorded when cash is received. At March 31, 1985, long-term sale agreements outstanding total $985,000. Of this amount, $162,000 reflects the cost of land sold and is included in Loan and Sale Agreements. The balance of $823,000 represents the unrealized gain on the sales and will be recorded as cash is received.

1i. Other Loans

Other loans are those made to nongovernment agencies or individuals and are subject to a variety of interest rates and terms of repayment.

Other loans are carried at cost and will be revalued when it becomes evident that they are uncollectible. All write-downs are charged directly to equity.

Interest received from these loans is recorded as revenue.

1j. Investments in Crown Entities

Investments in Crown entities represent long-term equity advances which are non-interest bearing and have no fixed terms of repayment.

Investments are valued at original cost. Revaluation of the investment will occur when the liabilities of the Crown entity significantly exceed the net realizable value of its assets and the accumulated deficit is not funded by appropriation. Any write-downs reducing the carrying value of the investment are charged directly to equity.

Revenues from the investments (dividends) are recorded as revenue.

1k. Investment in Agricultural Land and Related Assets

The Heritage Fund (Saskatchewan) Amendment Act, 1983 transferred the assets and liabilities of the former Saskatchewan Land Bank Commission to the Agricutural Division of the Saskatchewan Heritage Fund effective April 1, 1983. Investment in Agricultural Land and Related Assets represents the cost of land and improvements held for resale.

Sales of these lands and improvements are recorded as a recovery of investment in amounts equal to the cost and any gains are recorded as revenue when received. Where the sale involves a long-term sales agreement, the amount equal to the cost of the investment sold is recorded as an asset; any amount due in respect of a gain on the sale is recorded as revenue only upon collection. Any loss on the sale of these lands and improvements is charged directly to equity.

1l. Investments in Other Enterprises

Investments in other enterprises represent shareholdings in nongovernment enterprises. These investments are carried at cost.

The investments will be revalued when it becomes evident that there has been a permanent reduction in the value of the investment.

Any write-down of an investment is charged directly to equity.

1m. Loan from the Consolidated Fund

This represents a long-term obligation to the Consolidated Fund in respect of an interest bearing loan previously due from the Saskatchewan Land Bank Commission. Pursuant to provisions of The Farm Purchase Program Act the Farm Purchase Program Fund is authorized to receive the lease revenues on the land formerly owned by the Saskatchewan Land Bank Commission and in turn, to pay the interest on the loan from the Consolidated Fund. Accordingly, $19,927,664 was paid by the Farm Purchase Program Fund to the Consolidated Fund in 1984-85 as interest expense on the outstanding loan. Pursuant to provisions of The Heritage Fund (Saskatchewan) Amendment Act, 1983, and as provided by appropriation, a payment of $8,183,000 was made from the Saskatchewan Heritage Fund to the Farm Purchase Program Fund to cover the deficiency of the lease fees in meeting the interest costs.

2. Additional Information

2a. Equity

Equity of the Fund consists of two components: unallocated equity and reserve accounts. The reserve accounts were established pursuant to Treasury Board Directive as authorized by section 14 of The Heritage Fund (Saskatchewan) Act. Within the Energy Security Division, an Energy Security Reserve has been created for the purpose of funding the future

development of energy resources. Within the Environmental Protection Division an Environmental Protection Reserve has been created to provide for contingency funding to mitigate unforeseen environmental problems related to uranium milling.

2b. Fund Dividend to the Consolidated Fund

An annual appropriation in the Saskatchewan Heritage Fund provides for fund dividends to the Consolidated Fund. Payments are made upon the direction of the Minister of Finance.

2c. Overcommitments

The Saskatchewan Heritage Fund uses the modified cash basis of accounting. Under this method, accounts receivable or payable are not recorded.

There is a legislative requirement that no liability shall be incurred which exceeds the unencumbered balance of an appropriation.

At March 31, 1985 an appropriation of the Department of Energy and Mines was overcommitted by an amount of $25,449,315. The overcommitment relates primarily to an indebtedness in an estimated amount of $26,000,000 respecting grants under The Oil and Gas Incentives Regulations 1978. Under The Oil and Gas Incentives Regulations 1978, expenditures on oil and gas exploration and development within the Province may be cost shared by the Provincial Government. Eligibility is conditional upon the production of oil within the Province. At March 31, 1985, such expenditures on oil and gas exploration and development, as approved, when combined with the production of oil as reported, calculates to the indebtedness noted. Such amounts are subject to adjustment upon final approval and payment.

2d. Comparative Information

Certain of the 1984 figures have been reclassified to conform with the current year presentation.

Saskatchewan Heritage Fund

Cash and Short-Term Investments

Schedule 1

March 31, 1985

	($ Thousands)	
	1985	**1984**
Cash (Overdraft)		
Energy Security Division	$ 4	$ 1
Environmental Protection Division	25	6
Research and Development Division	(495)	9
	(466)	16
Short-Term Investments		
Energy Security Division	13,497	12,043
Environmental Protection Division	5,942	4,471
Research and Development Division	37,487	40,479
	56,926	56,993
	$56,460	$57,009

The market value of the Short-Term Investments at March 31, 1985 is $56,429,000 (March 31, 1984 $55,919,000).

Saskatchewan Heritage Fund

Short-Term Loans to Crown Entities

Schedule 2

March 31, 1985

	($ Thousands)	
	1985	**1984**
Energy Security Division		
Crown Investments Corporation of Saskatchewan	$ 4,000	$ —
Municipal Financing Corporation of Saskatchewan	18,000	18,500
Saskatchewan Development Fund	—	1,300
	22,000	19,800
Research and Development Division		
Crown Investments Corporation of Saskatchewan	7,000	—
Municipal Financing Corporation of Saskatchewan	—	7,200
Saskatchewan Government Printing Company	2,176	—
	9,176	7,200
	$31,176	$27,000

Saskatchewan Heritage Fund

Loans to Crown Entities

Schedule 3

March 31, 1985

	($ Thousands)	
	1985	**1984**
	Ending Balance	**Ending Balance**
Resources Division		
Potash Corporation of Saskatchewan	$28,400	$33,400
Saskatchewan Grain Car Corporation	46,350	51.333
	74,750	84,733
Energy Security Division		
Saskatchewan Power Corporation	2,448	2.448
	$77,198	$87,181

Saskatchewan Heritage Fund

Schedule 4

Other Loans

March 31, 1985

	($ Thousands)	
	1985	**1984**
Energy Security Division		
NewGrade Energy Inc.	$2,938	$ —
	$2,938	$ —

Saskatchewan Heritage Fund

Schedule 5

Investment in Crown Entities

March 31, 1985

	($ Thousands)	
	1985	**1984**
Resources Division		
Crown Investments Corporation of Saskatchewan	$109,976	$109,976
Potash Corporation of Saskatchewan	418,554	418,554
Saskatchewan Mining Development Corporation	218,700	218,700
	747,230	747,230
Energy Security Division		
Saskatchewan Oil and Gas Corporation	91,500	91,500
	$838,730	$838,730

Saskatchewan Heritage Fund

Schedule 6

Investments in Other Enterprises

March 31, 1985

	($ Thousands)	
	1985	**1984**
Energy Security Division		
NewGrade Energy Inc.	$735	$ 1
	$735	$ 1